PARANTA BIOSCIENCES LTD
ABN: 75 141 027 107

FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2013

PARANTA BIOSCIENCES LIMITED
FINANCIAL REPORT FOR THE YEAR ENDED
30 JUNE 2013

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PARANTA BIOSCIENCES LIMITED
DIRECTORS' REPORT

The directors present their report together with the financial report of Paranta Biosciences Limited for the financial year ended 30 June 2013 and auditor's report thereon. This financial report has been prepared in accordance with Australian Accounting Standards.

Principal activities

The principal activities of the Company during the financial year were related to the development and commercialisation of recombinant human follistatin as a bio-therapeutic drug for human use. There were no significant changes in the nature of these activities during the financial year.

Results

The net loss after income tax was $1,081,870 (2012: $459,719).

Review of operations

Paranta Biosciences is an innovative drug development company established to develop and commercialise research and intellectual property that originated largely from Monash University relating to clinical uses of recombinant human follistatin. The Company's strategy of developing follistatin as an inhaled therapeutic for respiratory diseases with cystic fibrosis (CF) as our lead indication remains unchanged.

Overall, solid progress has been made and the directors remain enthusiastic regarding the potential therapeutic value of follistatin and committed to promoting the long term prospects for the Company.

During the 2013 financial year, the Company obtained excellent results in preclinical animal studies which further increase our confidence in the therapeutic value of follistatin for respiratory diseases and other indications. The Company continued to strengthen its IP portfolio with allowance of patents in Europe and Canada together with the filing of several new Australian and international patent applications. The development of follistatin manufacturing processes at DSM Biologics in The Netherlands is now well advanced although progress has been slower and more expensive than planned due to numerous technical issues encountered along the way. As a result, the Company does not expect to commence preclinical safety and toxicology studies until the first quarter of 2014 and will need to raise additional funds before it can proceed to a first-in-human clinical trial.

A summary of key activities undertaken during the past year is provided below:

<u>Preclinical program</u>

> Two important animal studies were undertaken. The first of these was performed by a Monash University group based at The Alfred Hospital and led by Professor Robyn O'Hehir. This was a dose-response study in a transgenic mouse model of CF with more than 250 mice tested. The results of the study have provided the Company with compelling data supporting the use of follistatin in the treatment of CF in addition to a range of other respiratory diseases including chronic obstructive pulmonary disease (COPD) and bronchiectasis. Data from the study have also been used to inform the design of the Company's planned preclinical safety and toxicology program for an inhaled follistatin therapeutic.
>
> The second study is being performed by a surgical research group at The Alfred Hospital led by Professor Frank Rosenfeldt. This study was initiated to generate supporting data for one of the Company's patent applications. The study involved the use of follistatin in a canine model of lung transplantation.

Preliminary results show follistatin treatment produced impressive beneficial effects in the treated dogs. The study has recently been extended to increase the number of dogs and is expected to be completed in the first quarter of 2014.

The Company engaged the services of a US-based, ex-FDA toxicology consultant to design a preclinical safety and toxicology program to satisfy international regulatory requirements. Proposals are currently being sought from a number of appropriately qualified contract research organisations which are capable of performing inhalation toxicology studies. The Company expects to finalise contracts with the successful research organisation by January 2014 with animal studies commencing shortly after this date.

Manufacturing scale-up

In September 2012, the Company entered into a biopharmaceutical manufacturing agreement with DSM Biologics for the development and scale-up of follistatin manufacturing to support the Company's preclinical toxicology program and first-in-human clinical trial.

The development of the manufacturing processes is currently being undertaken at DSM's R&D facility in Groningen, The Netherlands and utilizes one of the Company's proprietary follistatin producing cell lines. The plan is to transfer these manufacturing processes to DSM's new cGMP manufacturing facility in Brisbane, Queensland for production scale-up. Among other benefits, this approach allows the Company to derive benefits from the Federal government's R&D Tax Incentive program which provides a 45 percent refundable tax offset on eligible expenditures.

The development project in Groningen has progressed significantly slower than expected with follistatin proving difficult to manufacture using industrially accepted processes due the inherent molecular properties of the protein. A number of complex technical problems have been encountered including protein aggregation and precipitation, protein stability and degradation, inter-run variability, and issues relating to protein purification. All of these issues have been successfully addressed, however, and the Company is progressing toward manufacturing a pilot-scale batch of follistatin in Groningen by the end of 2013. This will provide material representative of the final manufacturing process and enable the commencement of preclinical toxicology studies in the first quarter of 2014. Scaling up manufacturing processes in Brisbane is also expected to occur during the first quarter of 2014.

[On 23 October 2013, DSM Biologics advised the Company that they had made a material error reporting the performance of the purification process. At the date of this report, the Company is working closely with DSM Biologics to understand and minimise any potential impact to the aforementioned manufacturing scale-up timeline.]

Intellectual property

The Company continues to strengthen its intellectual property portfolio. During the year, the Company received formal notifications of allowance for European patent application 04761394.8 (Follistatin treatment in inflammatory diseases) and Canadian patent application 2,453,470 (Use of follistatin for the treatment of hepatic fibrogenesis).

Since 30 June 2013, the Company has received a final office action from the US Patent and Trademark Office rejecting our US patent application 12/399610 relating to liver fibrosis. The Company is not planning to contest this finding. Prosecution of the Company's other US patent application 10/575049 relating to lung inflammation is ongoing.

The difficulties encountered by the Company prosecuting its foundational intellectual property portfolio acquired from ITFP Pty Ltd has been a strong motivating factor for the Company to pursue new intellectual property opportunities over the past year.

Several new patent applications have been filed with further new applications anticipated in the coming months. These will strengthen the Company's intellectual property position around treating respiratory disease and also provide potential development and licensing opportunities beyond our current therapeutic focus area.

Fund raising

The Company undertook a capital raising event by offering existing shareholders the opportunity to participate in a renounceable rights issue. A total of $1,033,750 was raised from this issue prior to deduction of capital raising fees.

Based on current forecast costs, the Company expects to have sufficient funds available to complete its preclinical program for an inhaled therapeutic. However the Company will need to secure additional funds before commencing its clinical development program.

Significant changes in the state of affairs

During the financial year, net assets decreased from $4.19 million to $4.07 million. During the same period, the Company has made significant and tangible forward progress towards developing a follistatin biotherapeutic as well as consolidating and improving the Company's intellectual property assets.

After balance date events

Proposals received from DSM Biologics for completing the development of manufacturing processes in Groningen were significantly higher in cost than budgeted. Negotiations with DSM are in progress and the Company is actively exploring options for reducing overall costs relating to the development and scale-up of manufacturing processes.

Likely developments

The Company will continue to pursue its operating strategy to create shareholder value. Further details will be disclosed at the Company's Annual General Meeting in November 2013.

Environmental regulation

The Company's operations are not subject to any significant environmental Commonwealth or State regulations or laws.

Dividend paid, recommended and declared

No dividends were paid, declared or recommended since the start of the financial year.

Share options

No options were granted during the year and there are no outstanding options over shares.

Shares issued on exercise of options

No ordinary shares were issued during or since the end of the financial year as a result of the exercise of an option.

There are no amounts unpaid on shares issued on exercise of options.

Indemnification and insurance of directors, officers and auditors

During the financial year, the Company paid $13,610 as a premium for Directors and Officers Liability Insurance with 12 months cover from 31 May 2013. The insurance policy does not include external auditors.

Proceedings on behalf of the company

No person has applied for leave of Court to bring proceedings on behalf of the Company.

Information on directors and company secretary
The qualifications, experience and special responsibilities of each person who is or has been a director of Paranta Biosciences Limited at any time during the financial year or since 1 July 2012 are provided below, together with details of the company secretary as at the year end.

Peter D. Jonson BCom, MA, PhD (Age 66)
Non-executive director
Chairman
Appointed 28 September 2010

Dr Jonson has worked as a professional company director for the past fifteen years. He holds a Bachelor of Commerce and Master of Arts degrees from Melbourne University and PhD from the London School of Economics. Following a 16 year career with the Reserve Bank of Australia including 7 years as Head of Research, Dr Jonson held senior management positions at James Capel Australia, Norwich Union Financial Services, and ANZ Funds Management. He is a Director of Village Roadshow Ltd (since 2001) and was Chairman of Bionomics Ltd (2005-2009). He was founding Chair Australian Institute for Commercialisation Ltd (2002-2007) and past Chair of Cooperative Research Centre Committee (2005-2010). In 1989 he was elected as a Fellow of the Australian Social Science Academy and in 2013 he was appointed a 'Friend of the CRC Association.

Current directorships of listed companies:	*Village Roadshow Limited (ASX:VRL)*
Former directorships of listed companies in past 3 years:	*Bionomics Limited (ASX:BNO)* *Pro Medicus Limited (ASX:PME)*

David M. de Kretser, AC MBBS, MD, FRACP, HonLLD (Monash), HonLLD (Melbourne) (Age 74)
Non-executive director
Chief Scientist
Appointed 10 May 2011

Professor de Kretser has a long and distinguished career in medical research and has received wide international recognition for his contributions to the fields of andrology and reproductive science. Professor de Kretser is currently holds the position of Sir John Monash Distinguished Professor at Monash University. He was the founding director of the Monash Institute of Reproduction now known as the Monash Institute of Medical Research. Professor de Kretser was Governor of Victoria from April 2006 to April 2011. He is also a recipient of Australia's highest civilian honour, a Companion of the Order of Australia. He is also a co-inventor of the patent applications acquired by Paranta from ITFP Pty Ltd.

Current directorships of listed companies:	*None*
Former directorships of listed companies in past 3 years:	*None*

John W. Raff Dip. AgSci, BSc, PhD (Age 64)
Non-executive director
Appointed 28 September 2010

Dr Raff has successfully invested in and managed a wide range of innovation-based agricultural and pharmaceutical companies. He was the founding CEO and was until June 2011 the Deputy chairman of ASX listed Starpharma Holdings Ltd.

He is also the Chairman and major shareholder of HealthFarm Fine Foods Pty Ltd, an integrated manufacturer of sesame and nut based products for domestic and international markets. He was previously the General Manager of the Biomolecular Research Institute and a past Chairman of the BioMelbourne Network.

Current directorships of listed companies:	*None*
Former directorships of listed companies in past 3 years:	*Starpharma Holdings Limited (ASX:SPL)*

Ross Barrow BSc.Hons, MBA (Age 50)
Chief Executive Officer
Appointed 16 August 2011

Mr Barrow is a senior executive with over 14 years of experience in the development and commercialization of clinical and biotechnology products. This includes 10 years as COO and a Director of Vision BioSystems Limited, during which time the company became a leader in the global histopathology market. Prior to Vision, Ross spent 11 years with BHP. Ross joined Paranta Biosciences in January 2011 and was appointed as a director in August 2011. He currently serves as a non-executive director of ASX listed pharmaceutical company Acrux Ltd.

Current directorships of listed companies:	*Acrux Limited (ASX:ACR)*
Former directorships of listed companies in past 3 years:	*None*

Brendan E. Brown B.Bus CA (Age 36)
Company secretary
Appointed 29 April 2011

Mr Brown is a Chartered Accountant and principal of MPR Group Pty Ltd with over 16 years of experience in the industry. Brendan has worked with a range of businesses covering diverse industries to successfully support them in their financial and business advisory needs.

Directors' meetings
The number of meetings of the board of directors and of each board committee held during the financial year and the numbers of meetings attended by each director were:

	Board of Directors	
	Eligible to attend	**Attended**
Peter Jonson	13	13
David de Kretser	13	13
John Raff	13	11
Ross Barrow	13	13

Directors' interests in shares or options
Directors' relevant interests in shares of Paranta Biosciences Limited in the Company *(or a related body corporate)* are detailed below. There are no outstanding options over shares.

Directors' relevant interests in:	Ordinary shares of Paranta Biosciences Ltd
Peter Jonson	108,000
David de Kretser[(a)]	780,500
John Raff	128,000
Ross Barrow	80,000

(a) Professor de Kretser is a shareholder of ITFP Pty Ltd, a company that holds 2.5 million shares in Paranta Biosciences Limited.

During the financial year, the directors including the CEO were issued a total of 234,000 shares representing approximately 3% of the Company's shares on issue. These shares were issued to the directors in lieu of salary for the period up to 31 December 2011 and in the case of the CEO as a performance bonus.

Since 30 June 2013, the directors excluding the CEO have been issued 123,200 shares representing approximately 1.4% of the Company's current shares on issue in lieu of salary for the year ended 31 December 2012. Members of the Company's Scientific Advisory Board have been issued shares altogether totalling less than 0.1% of the Company's shares on issue as compensation for valuable advice tendered during the financial year.

Directors' interests in contracts
During the financial year, the Company engaged Monash University to provide research services. Professor de Kretser is a current employee of Monash University. No other contracts were awarded during the financial year to any party related to the Directors.

Auditor's independence declaration
A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* in relation to the audit for the financial year is provided with this report.

Non-audit services
No non-audit services were provided by the auditors of Paranta Biosciences Limited during the year.

Signed in accordance with a resolution of the directors.

PDJonson

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Peter D. Jonson, Chairman

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Ross Barrow, Chief Executive Officer

Melbourne
28 October 2013

PARANTA BIOSCIENCES LIMITED
ABN 75 141 027 107

AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of Paranta Biosciences Limited

In relation to the independent audit for the year ended 30 June 2013, to the best of my knowledge and belief there have been:

(i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*; and

(ii) No contraventions of any applicable code of professional conduct.

S SCHONBERG
Partner
28th October 2013

PITCHER PARTNERS
Melbourne

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2013

	Notes	2013 $	2012 $
Revenue			
Other revenue	4	146,025	222,650
		146,025	222,650
Less: Expenses			
Employee benefits expense	5	574,172	368,994
Occupancy expense		11,005	6,150
Legal expenses and Intellectual Property		86,799	74,961
Audit Fees		9,900	9,685
Research Costs		1,165,227	495,576
Depreciation and amortisation expenses	5	1,767	421
Other expenses		76,926	93,253
		1,925,796	1,049,040
Loss before income tax		(1,779,771)	(826,390)
Income tax benefit	6	697,901	368,471
Loss for the year		(1,081,870)	(457,919)
Other comprehensive income		-	-
Total comprehensive income		(1,081,870)	(457,919)

The above statement should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2013

	Notes	2013 $	2012 $
CURRENT ASSETS			
Cash and cash equivalents	7	3,810,468	4,131,960
Other current assets	8	724,972	459,806
TOTAL CURRENT ASSETS		4,535,440	4,591,766
NON-CURRENT ASSETS			
Plant and equipment	9	3,419	752
TOTAL NON-CURRENT ASSETS		3,419	752
TOTAL ASSETS		4,538,859	4,592,518
CURRENT LIABILITIES			
Payables	10	439,217	341,576
Payroll liabilities	11	14,730	35,172
Provisions	12	10,670	20,030
TOTAL CURRENT LIABILITIES		464,617	396,778
NON-CURRENT LIABILITIES			
Provisions	12	1,500	860
TOTAL NON-CURRENT LIABILITIES		1,500	860
TOTAL LIABILITIES		466,177	397,637
NET ASSETS		4,072,742	4,194,881
EQUITY			
Contributed capital	13	5,852,444	4,892,713
Retained losses	14	(1,779,702)	(697,832)
TOTAL EQUITY		4,072,742	4,194,881

The above statement should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2013

	Contributed equity $	Retained earnings $	Total Equity $
Balance as at 30 June 2012	**4,892,713**	**(697,832)**	**4,194,881**
Profit for the year	-	(1,081,870)	(1,081,870)
Total comprehensive income for the year	**-**	**(1,081,870)**	**(1,081,870)**
Transactions with owners in their capacity as owners:			
Contributions	1,267,750	-	1,267,750
Less Capital Raising Costs	(51,688)	-	(51,688)
Less Unpaid Contributions	(256,331)	-	(256,331)
	959,731	**-**	**959,731**
Balance as at 30 June 2013	**5,852,444**	**(1,779,702)**	**4,072,742**

	Contributed equity $	Retained earnings $	Total Equity $
Balance as at 30 June 2011	**4,892,713**	**(239,913)**	**4,652,800**
Profit for the year	-	(457,919)	(457,919)
Total comprehensive income for the year	**-**	**(457,919)**	**(457,919)**
Transactions with owners in their capacity as owners:			
Contributions			
Less Capital Raising Costs	-	-	-
	-	**-**	**-**
Balance as at 30 June 2012	**4,892,713**	**(697,832)**	**4,194,881**

The above statement should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2013

	Notes	2013 $	2012 $
CASH FLOW FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(1,847,988)	(826,279)
Interest received		185,567	222,650
Income tax refunded		385,632	65,819
Net cash used in operating activities	15(a)	(1,276,789)	(537,810)
CASH FLOW FROM INVESTING ACTIVITIES			
Payment for plant and equipment		(4,434)	-
Net cash used in investing activities		(4,434)	-
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from share issue		959,731	-
Net cash provided by financing activities		959,731	-
Net increase in cash and cash equivalents		(321,492)	(537,810)
Cash and cash equivalents at beginning of year		4,131,960	4,669,770
Cash and cash equivalents at end of the year	15(b)	3,810,468	4,131,960

The above statement should be read in conjunction with the accompanying notes.

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NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2013

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies adopted by the entity in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Basis of preparation of the financial report

This financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial report covers Paranta Biosciences Ltd. Paranta Biosciences Ltd is a company limited by shares, incorporated and domiciled in Australia. Paranta Biosciences Ltd is a for-profit entity for the purpose of preparing the financial statements.

The financial report was authorised for issue by the directors on 28 October 2013.

Compliance with IFRS
The financial statements of Paranta Biosciences Ltd also comply with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical cost convention
The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets as described in the accounting policies.

Critical accounting estimates
The preparation of the financial report requires the use of certain estimates and judgements in applying the entity's accounting policies. Those estimates and judgements significant to the financial report are disclosed in Note 2.

(b) Going concern

The financial report has been prepared on the basis of going concern which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

In common with biotechnology and drug development companies the Company's operations are subject to considerable risks and significant uncertainty due primarily to the nature of the development and commercialisation undertaken. To allow the Company to execute its near term and longer term plans, it will be necessary to raise additional capital in the future.

Based on anticipated cash flow requirements of the Company's planned research and development activities, the directors consider that the Company has sufficient funds to complete preclinical safety and toxicology studies based on current cost assumptions. The Company is actively involved in capital raising activities to secure additional funds required to fund the Company's clinical development program. The directors are confident of raising such additional funds through multiple sources and believe the excellent results from recent animal studies and the ongoing endorsement of the Company's research and development program by Cystic Fibrosis Australia increase the likelihood of securing the required funds.

The directors and management closely monitor the Company's cash position and forecast cash requirements. If it appears that sufficient funds are unlikely to be secured in a timely manner, the Company will take actions to defer expenditure on research and development activities to ensure financial obligations are met as and when they fall due.

The Company had $3.81 million in cash assets at the 30th June 2013. Based on the above the directors consider the going concern basis to be appropriate.

(c) Revenue

Interest revenue is recognised when it becomes receivable on a proportional basis taking into account the interest rates applicable to the financial assets.

All revenue is stated net of the amount of goods and services tax (GST).

(d) Cash and cash equivalents

Cash and cash equivalents include cash on hand and at banks, short-term deposits with an original maturity of three months or less held at call with financial institutions, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

(e) Plant and equipment

Cost and valuation
Plant and equipment are stated at cost less depreciation and any accumulated impairment losses.

Depreciation
The depreciable amounts of all other fixed assets are calculated using the diminishing balance method over their estimated useful lives commencing from the time the asset is held ready for use.

The useful lives for each class of assets are:

	2013	2012
Plant and equipment:	*3 to 10 years*	*3 to 10 years*

(f) Intangibles

Research and development
Expenditure on research activities is recognised as an expense when incurred.

Expenditure on development activities is capitalised only when technical feasibility studies demonstrate that the project will deliver future economic benefits and these benefits can be measured reliably. Capitalised development expenditure is stated at cost less accumulated amortisation. Amortisation is calculated using a straight-line method to allocate the cost of the intangible assets over their estimated useful lives. Amortisation commences when the intangible asset is available for use.

Other development expenditure is recognised as an expense when incurred.

(g) Impairment

Assets with an indefinite useful life are not amortised but are tested annually for impairment in accordance with AASB 136. Assets subject to annual depreciation or amortisation are reviewed for impairment whenever events or circumstances arise that indicate that the carrying amount of the asset may be impaired.

An impairment loss is recognised where the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset is defined as the higher of its fair value less costs to sell and value in use.

(h) Income tax

Current income tax expense or revenue is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities.

Deferred tax assets and liabilities are recognised for temporary differences at the applicable tax rates when the assets are expected to be recovered or liabilities are settled. No deferred tax asset or liability is recognised in relation to temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax balances
Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(i) Provisions

Provisions are recognised when the entity has a legal or constructive obligation, as a result of past events, for which it is probable that an out flow of economic benefits will result and that outflow can be reliably measured.

(j) Employee benefits

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date.

(k) Financial instruments

Classification
The entity classifies its financial instruments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Non-derivative financial instruments
Non-derivative financial instruments consist of investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are initially recognised at fair value, plus directly attributable transaction costs (if any), except for instruments recorded at fair value through profit and loss. After initial recognition, non-derivative financial instruments are measured as described below.

Loans and receivables
Loans and receivables are measured at fair value at inception and subsequently at amortised cost using the effective interest rate method.

Financial liabilities
Financial liabilities include trade payables, other creditors, loans from third parties and loans or other amounts due to director-related entities.

(l) Foreign currency translations and balances

Functional and presentation currency
The financial statements of the entity are measured using the currency of the primary economic environment in which that entity operates (the functional currency). The financial statements are presented in Australian dollars which is the entity's functional and presentation currency.

Transactions and balances
Transactions in foreign currencies of entities are translated into functional currency at the rate of exchange ruling at the date of the transaction.

Foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are translated using the spot rate at the end of the financial year.

Except for certain foreign currency hedges, all resulting exchange differences arising on settlement or re-statement are recognised as revenues and expenses for the financial year.

(m) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(n) New accounting standards and interpretations

(a) AASB 9 *Financial Instruments*, AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)* and *AASB 2012-6 Amendments to Australian Accounting Standards - Mandatory Effective Date of AASB 9 and Transition Disclosure* (effective from 1 January 2015)

AASB 9 *Financial Instruments* improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The standard is not applicable until 1 January 2015 but is available for early adoption.
When adopted, the standard could change the classification and measurement of financial assets. AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income for equity investments that are not held for trading. In the current reporting period, the company recognised $0 in other comprehensive income in relation to the movements in the fair value of available for sale financial assets, which are not held for trading.

The company does not have any financial liabilities that are designated at fair value through profit or loss. The new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss. Therefore, there will be no impact on the company's accounting for financial liabilities. The company has not yet decided when to adopt AASB 9. The company has decided not to early adopt AASB 9 at 30 June 2013.

(b) AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13* (effective 1 January 2013)

AASB 13 introduces a fair value framework for all fair value measurements in the full suite of accounting standards. This standard explains how to measure fair value and aims to enhance fair value disclosures. The company is currently assessing which, if any of its current measurement techniques will have to change as a result of the new standard. However, it is not yet possible to provide a reliable estimate of the impact, if any, of these new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements.

The company does not expect to adopt new standards before their operative date. They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2014.

Other standards and interpretations have been issued at the reporting date but are not yet effective. When adopted, these standards and interpretations are likely to impact on the financial information presented, however the assessment of impact has not yet been completed.

NOTE 2: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Certain accounting estimates include assumptions concerning the future, which, by definition, will seldom represent actual results. Estimates and assumptions based on future events have a significant inherent risk, and where future events are not as anticipated there could be a material impact on the carrying amounts of the assets and liabilities discussed below:

(a) Impairment of non-financial assets other than goodwill
All assets are assessed for impairment at each reporting date by evaluating whether indicators of impairment exist in relation to the continued use of the asset by the entity. Impairment triggers include declining product or manufacturing performance, technology changes, adverse changes in the economic or political environment or future product expectations. If an indicator of impairment exists the recoverable amount of the asset is determined. Given the current uncertain economic environment management considered that the indicators of impairment were significant and as such all assets have been tested for impairment during the current financial year.

(b) Income tax
Income tax benefits are based on the assumption that no adverse change will occur in the income tax legislation and the anticipation that the group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

NOTE 3: FINANCIAL RISK MANAGEMENT

The entity is exposed to a variety of financial risks comprising:
(a) Interest rate risk
(b) Credit risk
(c) Liquidity risk

The board of directors has overall responsibility for identifying and managing operational and financial risks.

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates.

The exposure to interest rate risks in relation to future cash flows and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

Financial instruments	**Interest bearing**	**Non-interest bearing**	**Total carrying amount**	**Weighted average effective interest rate**	**Fixed / variable rate**
2013	**$**	**$**	**$**	**%**	
(i) Financial assets					
Cash	3,810,468	-	3,810,468	3.15%	Variable
Total financial assets	3,810,468	-	3,810,468		
(ii) Financial liabilities					
Trade creditors	-	453,947	453,947	-	
Total financial liabilities	-	453,947	453,947	-	

Financial instruments	**Interest bearing**	**Non-interest bearing**	**Total carrying amount**	**Weighted average effective interest rate**	**Fixed / variable rate**
2012	**$**	**$**	**$**	**%**	
(i) Financial assets					
Cash	4,131,960	-	4,131,960	4.35	Variable
Total financial assets	4,131,960	-	4,131,960		
(ii) Financial liabilities					
Trade creditors	-	376,748	376,748	-	
Total financial liabilities	-	376,748	376,748		

Sensitivity

If interest rates were to increase/decrease by 1% from rates used to determine fair values as at the reporting date, assuming all other variables that might impact on fair value remain constant, then the impact on profit for the year and equity is as follows:

	2013
+/- 1%	**$**
Impact on profit after tax	38,105
Impact on equity	38,105

	2012
+/- 1%	**$**
Impact on profit after tax	41,340
Impact on equity	41,340

(b) Credit risk exposures

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date of recognised financial assets is the carrying amount of those assets, net of any provisions for impairment of those assets, as disclosed in statement of financial position and notes to the financial statements.

The entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the entity.

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

Maturity analysis

The tables below represents the undiscounted contractual settlement terms for financial instruments and managements expectation for settlement of undiscounted maturities.

Year ended 30 June 2013	**< 6 Months $**	**6-12 Months $**	**1-5 years $**	**Total contractual cash flows $**	**Carrying amount $**
Cash and cash equivalents	3,810,468	-	-	-	3,810,468
Payables	(453,947)	-		-	(453,947)
Net maturities	3,356,521	-	-	-	3,356,521

Year ended 30 June 2012	**< 6 Months $**	**6-12 Months $**	**1-5 years $**	**Total contractual cash flows $**	**Carrying amount $**
Cash and cash equivalents	4,131,960	-	-	-	4,131,960
Payables	(376,748)	-	-	-	(376,748)
Net maturities	3,755,212	-	-	-	3,755,212

	2013 $	**2012 $**
NOTE 4: REVENUE		
Revenues from continuing operations		
Other revenue		
Interest	146,025	222,650
	146,025	222,650

NOTE 5: PROFIT FROM CONTINUING OPERATIONS

Profit from continuing operations before income tax has been determined after the following specific expenses:

Employee benefits expense		
Other employee benefits	574,172	368,994
	574,172	368,994
Depreciation of non-current assets		
Plant and equipment	1,767	421
	1,767	421

	2013	2012
	$	$

NOTE 6: INCOME TAX

(a) Components of tax expense:

	2013 $	2012 $
Current tax	697,901	368,471
	697,901	368,471

(b) Prima facie tax payable

The prima facie tax payable on profit before income tax is reconciled to the income tax expense as follows:

	2013 $	2012 $
Profit/(loss) before tax from continuing operations	(1,779,771)	(826,390)
Total profit/loss before income tax	(1,779,771)	(826,390)
Prima facie income tax payable on profit before income tax at 30%	(533,931)	(247,917)
Add tax effect of:		
- non-deductible expenses	25,787	24,781
- Research & Development Costs (subject to R&D tax offset)	453,827	245,647
- capital raising costs written off	(17,339)	(14,237)
- super carried forward from 2012	(2,206)	(1,925)
- accrued interest	(3,462)	(15,325)
- Increase in provisions	(2,616)	3,823
- Losses not recognised	79,940	5,153
	-	-
Less tax effect of:		
- R&D Tax Rebate	680,740	368,471
- R&D Under/(Over) provision for prior year	17,161	-
Income tax benefit / (expense) attributable to profit	697,901	368,471

(c) Current tax

Current tax relates to the following:

	2013 $	2012 $
Opening balance	368,471	-
R&D Tax Rebate received	(385,632)	-
R&D Under/(Over) provision for prior year	17,161	-
R&D Tax Rebate	680,740	368,471
Current tax assets	680,740	368,471

NOTE 7: CASH AND CASH EQUIVALENTS

	2013 $	2012 $
Cash at bank and on hand	3,810,468	4,131,960
	3,810,468	4,131,960

	2013	2012
	$	$

NOTE 8: OTHER CURRENT ASSETS

	2013	2012
Prepayments	11,402	11,402
GST Receivable	21,290	28,851
Interest Receivable	11,540	51,082
R & D Tax Rebate Receivable	680,740	368,471
	724,972	459,806

NOTE 9: PLANT AND EQUIPMENT

	2013	2012
Plant & equipment		
At cost	5,788	1,354
Accumulated depreciation	(2,369)	(602)
	3,419	752

(a) Reconciliations

Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year

Plant and equipment

	2013	2012
Carrying amount at beginning of year	752	1,173
Additions	4,434	-
Depreciation expense	(1,767)	(421)
Carrying amount end of year	3,419	752

NOTE 10: PAYABLES

	2013	2012
CURRENT		
Trade payables	422,317	325,076
Other payables	16,900	16,500
	439,217	341,576

NOTE 11: PAYROLL LIABILITIES

	2013	2012
CURRENT		
Amounts withheld	7,904	27,818
Superannuation	6,826	7,354
	14,730	35,172

	2013	2012
	$	$

NOTE 12: PROVISIONS

	2013 $	2012 $
CURRENT		
Employee benefits	10,670	20,030
	10,670	20,030
NON-CURRENT		
Employee benefits	1,500	860
	1,500	860
Aggregate employee benefits liability	12,170	20,890

NOTE 13: CONTRIBUTED CAPITAL

(a) Issued and paid up capital

	2013 $	2012 $
Ordinary shares fully paid	5,852,444	4,892,713

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

(b) Movements in shares on issue

	2013	
	No of Shares	$
Beginning of the financial year	7,630,000	4,892,713
Issued during the year		
– Shares issued	1,061,000	1,267,750
- Shares issued unpaid	-	(256,331)
- Capital raising costs	-	(51,688)
End of the financial year	8,691,000	5,852,444

	2012	
	No of Shares	$
Beginning of the financial year	7,630,000	4,892,713
Issued during the year		
– Shares issued	-	-
- Capital raising costs	-	-
End of the financial year	7,630,000	4,892,713

(c) Rights of each type of share

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At shareholder meetings each ordinary share is entitled to one vote when a poll is called.

(d) Capital management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. This is achieved through the monitoring of historical and forecast performance and cash flows. The Board and the Company are currently working on a range of strategies to fund activities through to completion of a Phase 1 clinical trial.

	2013	2012
	$	$
NOTE 14: RETAINED LOSSES		
(e) Retained losses		
Balance at the beginning of year	(697,832)	(239,913)
Net loss attributable to members of Paranta Biosciences Ltd	(1,081,870)	(457,919)
Balance at end of year	(1,779,702)	(697,832)

NOTE 15: CASH FLOW INFORMATION

	2013	2012
(a) Reconciliation of cash flow from operations with profit after income tax		
Profit from ordinary activities after income tax	(1,081,870)	(457,919)
Non-Cash Items		
Depreciation and amortisation	1,767	421
Changes in assets and liabilities		
Increase in other current assets	(265,166)	(376,467)
Increase in trade and other payables	97,641	278,450
Increase in payroll liabilities	(20,442)	4,961
Increase in provisions	(8,719)	12,744
Net cash flow from operating activities	(1,276,789)	(537,810)

(b) Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position is as follows:

	2013	2012
– Cash at bank	3,810,468	4,131,960
Closing cash balance	3,810,468	4,131,960

	2013	2012
	$	$

NOTE 16: AUDITORS REMUNERATION

	2013 $	2012 $
Amounts received or due and receivable by Pitcher Partners for:		
An audit or review of the financial report of the entity and any other entity	9,900	9,900
	9,900	9,900

NOTE 17: SUBSEQUENT EVENTS

There has been no matter or circumstance, which has arisen since 30 June 2013 that has significantly affected or may significantly affect:

(a) the operations, in financial years subsequent to 30 June 2013, of the entity, or
(b) the results of those operations, or
(c) the state of affairs, in financial years subsequent to 30 June 2013, of the entity.

NOTE 18: SEGMENT REPORTING

The entity operates exclusively in the pharmaceutical drug development segment with all operations based in Australia.

NOTE 19: DIRECTORS' AND EXECUTIVES' COMPENSATIONS

Compensation by category

	2013 $	2012 $
Short-term employment benefits	203,663	201,835
Share-based payments	234,000	-
	437,663	201,834

In September 2013, the directors excluding the CEO were issued 123,200 shares representing approximately 1.4% of the Company's current shares on issue in lieu of salary for the year ended 31 December 2012.

NOTE 20: DIRECTORS' AND EXECUTIVES' EQUITY HOLDINGS

Number of shares held by key management personnel and their related parties

2013	**Balance 1/07/12**	**Received as Remuneration**	**Net change Other**	**Balance 30/06/13**
Directors				
Peter Jonson	50,000	58,000	-	108,000
*David de Kretser**	672,500	58,000	50,000	780,500
John Raff	50,000	38,000	40,000	128,000
Ross Barrow	-	80,000	-	80,000
	772,500	234,000	90,000	1,096,500
2012				
Directors				
Peter Jonson	50,000	-	-	50,000
*David de Kretser**	672,500	-	-	672,500
John Raff	50,000	-	-	50,000
Ross Barrow	-	-	-	-
Rocco Iannello**	112,500	-	-	-
	885,000	-	-	772,500

* - ITFP Pty Ltd holds 2,500,000 shares in Paranta Biosciences Ltd, of which David de Kretser holds 18.9%.

** - ITFP Pty Ltd holds 2,500,000 shares in Paranta Biosciences Ltd, of which Rocco Iannello holds 4.5%. Rocco Iannello resigned as director on 14 December 2011.

DIRECTORS DECLARATION

The directors declare that the financial statements and notes set out on pages 10 to 27 in accordance with the *Corporations Act 2001*:

(a) Comply with Accounting Standards and the *Corporations Regulations 2001*, and other mandatory professional reporting requirements;

(b) As stated in Note 1(a) the financial statements also comply with International Financial Reporting Standards; and

(c) Give a true and fair view of the financial position of the entity as at 30 June 2013 and of its performance for the year ended on that date.

In the directors' opinion there are reasonable grounds to believe that Paranta Biosciences Ltd will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

Peter Jonson
Director, Chairman

Melbourne

28 October 2013

PARANTA BIOSCIENCES LIMITED
ABN 75 141 027 107

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
PARANTA BIOSCIENCES LIMITED

We have audited the accompanying financial report of Paranta Biosciences Limited, which comprises the statement of financial position as at 30 June 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement in the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

PARANTA BIOSCIENCES LIMITED
ABN 75 141 027 107

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
PARANTA BIOSCIENCES LIMITED

Opinion

In our opinion:

(a) the financial report of Paranta Biosciences Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the company's financial position as at 30 June 2013 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

S SCHONBERG
Partner

28th October 2013

PITCHER PARTNERS
Melbourne